

4-22-2004

TO: Director

FROM: Senior Operations Research Analyst
Office of the Director

SUBJECT: Allocation of Fiscal Year 2005 Indian Health Care Improvement Fund--ACTION

ISSUE

The Fiscal Year (FY) 2005 Indian Health Care Improvement Fund (IHCIF) contains \$11,093,710. This memo recommends allocating the FY 2005 funds by the same 2-tier IHCIF formula used in FY 2003. There were no IHCIF funds appropriated in FY 2004.

DISCUSSION

The IHCIF formula was developed in 2001 by an IHS/tribal workgroup according to specifications in the Indian Health Care Improvement Act. The formula was adopted after extensive consultation. Since adoption, calculations were twice revised to account for changing user counts, escalating costs, evolving health status, and updated IHS funding. The current calculations are based on the most recent data available – FY 2004.

The IHS Area Offices submitted FY 2004 data for individual operating units to reflect local conditions and circumstances. Operating unit data were cross-checked and verified at Headquarters to the extent practical. Due to natural random variation for small samples, data for very small operating units is inherently less reliable than for larger operating units.

For consistency with IHCIF calculations in prior years, if operating unit data did not fully comply with standards and definitions or excessive changes compared to previous years was noted, data adjustments or substitutions were applied. Two examples are:

- Ambulatory health stations generally do not qualify as independent operating units. Data for a number of these was reconsolidated with the parent service unit.
- Where data substantially changed and no explanation was apparent, a known Area average or pro-ratio was applied.

The FY 2004 calculations produced IHS-wide results that coincide closely with predictions. The intermediate level results for Areas and most large operating units also were stable compared to prior year results. In more than 200 operating units, the Level of Need Funding (LNF) score changed less than 10%. In the majority of units the score changed less than 5%.

As expected, results for small units exhibited greater variation compared to corresponding results in previous years. The LNF score changed more than 10% for approximately 50 operating units. Of these units, most were small and random variation is a reasonable explanation. For larger sites in which results were substantially different, Area staff identified a probable cause - typically, revised user counts (sometimes due to changes in reporting procedures) or increased funding from staffing packages accompanying replacement facilities. For a few sites with unexplained variations, it is unclear whether the changes are due to real changes in local circumstances, problems with FY 2004 measures, problems with prior year measures, or some combination of these. Considering the experience in with the IHCIF formula in previous years, I conclude that the reliability of the FY 2005 IHCIF results is similar and that the proposed funding allocations based on the FY 2005 results are acceptable.

PROS:

- Continues the existing IHCIF allocation policy
- Requires no additional consultation
- Uses the latest data available as specified in policy
- Further delay would impact on effective use of funds in FY 2005.

CONS:

- A few data anomalies remain unexplained (no more than in prior years).
- Although recent efforts resolved some anomalies, further efforts will probably not significantly change the results.
- The user count for at least one site has been questioned by a tribal leader.

RECOMMENDATION

Adopt the FY 2005 IHCIF allocations listed in the attached report: "FDI REPORT #2: FY 2005 IHCIF - \$11,093,710 Allocated by the Same 2 Tier Formula Adopted in 2003."

DECISION -

Approved _____ -- initialed by Director, IHS -- Disapproved _____ Date 4-22-2005

If you approve, please sign and date this letter at Tab A.

-- signed --

Cliff Wiggins

3 Attachments:

Tab A: Letter to the Director

Tab B: Copy of FY 2004 FDI Summary Results

Tab C: Copy of FDI Report #2